

More Russians Are Drinking Wines

By Jeffrey Hesse

There is no question about it: wines are becoming more and more popular with Russian consumers. In 2001, Russia imported 256 million liters of wine, up from a low of 188 million liters in 1999 that was the result of the 1998 economic crisis and ruble devaluation. Wine imports are sure to continue to grow. Domestic wine production fell by 80 percent during an anti-alcohol campaign in the mid-1980s, and has never recovered. Now, with younger, more affluent Russians switching from vodka to other alcoholic beverages, the possibilities of expanding into this market are real.

The challenges include high tariffs, restrictive and/or confusing labeling requirements and lengthy inspection procedures. In addition, Russian consumers are still unaware of the variety, quality and affordability of U.S. wines. Generally, U.S. products enjoy a good reputation with Russian consumers. Effective marketing by U.S. wine producers could build on this favorable perception and have a significant impact on Russian wine preferences.

Market in Its Infancy

The Russian wine market is in its infancy. Only slightly more than 10 percent of Russians drink wine one or more times per week. However, more than 50 percent of all consumers claim to drink wine one or more times per month, and this could bode well for the development of a larger market for U.S. wines.

Overwhelmingly, Russians prefer semi-dry red wine. But this is sure to change as

more people sample different varieties and their tastes diverge.

Currently, the Russian wine market is dominated by low-end wines from Moldova, Georgia and other East European countries, and priced at about \$2.55 per bottle. Such wines account for about 85 percent of the market. Higher priced wines typically come from France, Hungary, Italy and Spain. Meanwhile, Argentina, Australia, Chile, South Africa and the United States are all trying to increase their market shares.

Distribution Channels Key to Market Flows

Distribution is the key to success in the Russian market. The bulk of all wine sales are made through specialized wine stores, kiosks and supermarkets. There are some 50 wine traders who import wine into the Russian Federation. Nearly all have their headquarters in Moscow or St. Petersburg; there are virtually no direct imports to the

other regions of the Russian Federation. Most importers have established trading houses that serve as wholesalers and distributors of their wines. In general, a trading house has two departments—one in charge of distribution to the specialty stores and supermarkets, and the other responsible for supplying the hotel/restaurant business.

Labeling Requirements

It is essential for U.S. wine exporters to review label and documentation requirements with their Russian importers prior to each shipment. In fact, it is advisable to have Russian customs authorities approve the label before the first shipment.

Labels should be in Russian and must contain the following information:

- Name of the producer
- Legal address of the exporter
- Name of the importer
- Legal address of the importer
- Origin of the product
- Type of the product
- Description of the product
- Date of production
- Date of expiration
- Requirements for storage
- Volume of contents ■

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